

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 SAM-01

SAJ-01 COME-00 EB-07 LAB-04 SIL-01 OMB-01 TRSE-00

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R 161450Z JUN 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 3097

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L LISBON 3351

MADRID ALSO FOR AMB CARLUCCI

E.O. 11652: GDS

TAGS: ELAB, PINT, PO

SUBJ: NEW WAGE LEGISLATION

REF: LISBON 2697 (NOTAL)

SUMMARY: EMBASSY HAS OBTAINED COPY OF NEW WAGE POLICIES WHICH
GOVERNMENT IS EXPECTED TO PROMULGATE SOON ESTABLISHING A NEW
MINIMUM WAGE, FREEZING MIDDLE-CLASS WAGES, AND PLACING A MAXIMUM
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LIMIT ON SALARIES. DISMISSALS ARE PROHIBITED AND COLLECTIVE

BARGAINING STANDARDS ESTABLISHED. END SUMMARY.

1. LISBON PRESS ANNOUNCED JUNE 11 THAT NEW DECREE LAW WILL SOON BE PROMULGATED ESTABLISHING MONTHLY MINIMUM WAGE OF \$160, FREEZING WAGES ABOVE \$480 MONTHLY, AND SETTING A NATIONAL MAXIMUM WAGE OF \$1,956. NEW DECREE REPORTEDLY ALSO PROHIBITS EMPLOYEE DISMISSALS EXCEPT FOR JUST CAUSE AND SETS INTERIM PATTERN FOR COLLECTIVE BARGAINING PROCEDURES.

2. EMBASSY HAS OBTAINED A COPY OF THE DRAFT DECREE LAW. WHILE IT POSSIBLE COUNCIL OF MINISTERS AMENDED DRAFT SLIGHTLY PRIOR TO APPROVING IT ON MAY 13, TEXT IS BELIEVED IDENTICAL TO FORTHCOMING LAW. ESSENTIAL POINTS ARE AS FOLLOWS:
--ESTABLISHING AS A NATIONAL MAXIMUM THE SALARY RECEIVED BY A MINISTER OF GOVERNMENT, THUS EXTENDING TO THE PRIVATE SECTOR A LIMITATION ALREADY APPLIED TO PUBLIC ENTERPRISES;
--RECOGNITION OF DESIRABILITY OF REDUCING DISPARITY IN INCOME LEVELS AND FAVORING PRINCIPLE OF EQUAL PAY FOR EQUAL WORK.
--RAISING OF MINIMUM MONTHLY WAGE TO 4,000 ESCUDOS (\$160) MONTHLY, RETROACTIVE TO JUNE 1.
--NEW MINIMUM WAGE LEVEL DOES NOT APPLY TO PUBLIC OR DOMESTIC EMPLOYEES, TO THOSE UNDER TWENTY YEARS OF AGE, AND TO THOSE FIRMS HAVING FEWER THAN TEN EMPLOYEES WHEN NEW MINIMUM WAGE LEVEL WOULD PLACE FIRM IN JEOPARDY;
--APPROPRIATE MINISTRY WILL DETERMINE WHETHER MINIMUM WAGE WILL APPLY IN THOSE FIRMS ALREADY INTERVENTED BY THE GOVERNMENT;
--GOVERNMENT MAY EXEMPT CERTAIN ECONOMIC SECTORS OR AREAS FROM PAYMENT OF MINIMUM WAGE:
--ALL SALARIES OF 12,00 ESCUDOS OR MORE PER MONTH (\$480) ARE FROZEN AT THEIR CURRENT LEVEL UNTIL DECEMBER 31, 1975;
--A NATIONAL MAXIMUM SALARY OF 48,900 ESCUDO MONTHLY (\$1,956) IS ESTABLISHED. (COMMENT: REFTEL SPECULATED THAT THE MAXIMUM "REMUNERATION" AN INDIVIDUAL MIGHT RECEIVE FROM ALL SOURCES MIGHT BE LIMITED BY NEW DECREE LAW. THIS APPARENTLY IS NOT THE CASE AND AN INDIVIDUAL MIGHT CONCEIVABLY STILL BE ABLE TO RECEIVE ADDITIONAL INCOME, ABOVE THE NATIONAL MAXIMUM SALARY, FROM INVESTMENTS, RENTALS, AND SALARIES FROM OTHER COMPANIES. END COMMENT.)

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3. ADVANCE TEXT OF DECREE LAW ALSO STATES DEFINITIVE RULES GOVERNING COLLECTIVE BARGAINING NEGOTIATIONS TO BE PUBLISHED BY DECEMBER 31, 1975. DURING INTERIM, FOLLOWING RULES APPLY:
--IN CASE OF IMPASSE IN NEGOTIATIONS, ARBITRAL COMMISSION MAY BE ESTABLISHED BY MUTUAL AGREEMENT:
--COMMISSION WILL BE PRESIDED BY GOVERNMENTAL DELEGATE, WILL DECIDE CASE WITHIN 20 DAYS, AND DECISION WILL BE BINDING;
--IN RECOMMENDING SETTLEMENT, PRIMARY CONSIDERATION WILL BE

GIVEN TO GLOBAL AMOUNT OF WAGE SETTLEMENT THE ECONOMIC CONDITION OF COMPANY WILL PERMIT, CONSIDERING ALSO THE CAPACITY OF ECONOMIC SECTOR AND THE INCREASE IN COST OF LIVING;

4. WITH REGARD TO EMPLOYEE DISMISSALS, NEW DECREE LAW PROHIBITS DISMISSALS FOR PERIOD OF THIRTY DAYS, DURING WHICH PERIOD NEW LEGISLATION WILL BE PROMULGATED. (COMMENT: THIS PROVISION WOULD APPARENTLY SUPERSEDE THE DECREE LAW REGULATING COLLECTIVE DISMISSALS).

--ONLY EXCEPTION IS THAT AN EMPLOYEE MAY BE DISMISSED FOR SERIOUS DISCIPLINARY VIOLATION IF THIS CHARGE VERIFIED BY FORMAL PROCEDURE WITH WRITTEN RECORD OF PROCEEDINGS.

5. COMMENT: PROVISIONS OF THE NEW LAW FOLLOW CLOSELY THE OUTLINE ANNOUNCED BY MINISTER OF LABOR COSTA MARTINS IN HIS OPORTO MAY DAY SPEECH AND APPROVED BY COUNCIL OF MINISTERS MAY 13. IMPLICATIONS OF NEW WAGE POLICY FOR BOTH FOREIGN AND LOCAL RESIDENTS ARE CONSIDERED IN REFTEL. IT IS OF INTEREST THAT WHEN DECREE LAW ESTABLISHING MAXIMUM SALARIES WAS APPROVED IT WAS ANNOUNCED THAT THE MONTHLY MAXIMUM OF \$1,956 WOULD APPROXIMATE \$1,400 AFTER TAXES HAD BEEN DEDUCTED, THUS INDICATING THAT THE GOVERNMENT INTENDS TAKING A MUCH LARGER TAX BITE OUT OF HIGH INCOME SALARIES THAN HAS PREVIOUSLY BEEN THE CASE.

6. FULL TEXT OF LAW WILL BE POUCHED WHEN OFFICIALLY PROMULGATED.
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Message Attributes

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